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I&T 100 YEARS OF LEADERSHIP 1886-1986

Implement & Tractor

The business magazine of the farm and industrial equipment industry

OCTOBER 1986

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Shifting With Changing Times

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What Happened in Reno?
page 14

IMPLEMENT & TRACTOR
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This publication is indexed in Bell & Howell's Farm & Garden Index.

Subscription Information: Implement & Tractor is edited for persons in the farm and industrial equipment industry who function in the areas of retail sales and service, distribution sales and service, marketing, engineering, financing, manufacturing and general management. Subscription prices to qualified subscribers: U.S. one year—$12, two years—$18; elsewhere including Canada, one year—$17, two years—$25. Overseas airmail—$60 extra per year. Subscription prices to all others: U.S. one year—$34, two years—$68; elsewhere including Canada, one year—$39; two years—$78. Single copies, $2, except Annual Statistical Number, $4; Product File issue, $5; Red Book issue, $5. Adjustment necessitated by subscription termination at single copy rate. Extra charge for service on back issues. Allow 6-8 weeks for change of address and new subscriptions.

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ISSN 0019-2953 $2.00 + 0.00

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INTERTEC PUBLISHING CORPORATION

I&T 100 YEARS OF LEADERSHIP 1886-1986

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October 1986 • Vol. 101 • No. 12

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8: **Times Change—Be Ready to Shift Sales Emphasis.** When both ag and industrial equipment sales weakened, the L. E. German Implement Co. carved a niche for themselves in the small tractor market. Read how they found it and developed it.

14: **NFPEDA in Reno: Dealers Pick Bingham, Streacker, Wilson.** Norman Bingham, Casa Grande, Ariz., is the new president; Earl Streacker, Findlay, Ohio, is first vice-president, and Jay A. Wilson, Spartanburg, S.C., is second vice-president. Meeting highlights included: three changes in the bylaws and a panel of FIEI officers discussed many industry concerns.

24: **Tillage Equipment: Lots of Room Left for Problem Solvers.** As farmers move toward new systems to meet their particular economic, soil and cropping needs, there are plenty of new opportunities for manufacturers, but it takes flexibility.

On the cover...L. E. German and son Chuck with part of the small tractor lines that have helped the dealership adjust to changes.

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IMPLEMENT & TRACTOR, Vol. 101, No. 12, (USPS 461-750), with which is combined Farm Implement News, is published monthly, except in January and March when two issues are published, by Intertec Publishing Corp., P.O. Box 12901 (9221 Quivira Rd.), Overland Park, KS 66212-9981. Second class postage paid at Shawnee Mission, KS and additional mailing offices. POSTMASTER: Send Form 3579 to P.O. Box 12954, Overland Park, KS 66212-0954.

Hurray for Combines! August Volume Shows Strong Rise, But Tractors Slip

"One month doesn't make a trend," said a marketer commenting on the August combine surge, "but we're encouraged. At the end of the year, you'll probably see North American combine sales about where they were last year, and after all those declines, it doesn't seem bad."

Not only are the new combine sales up, used combine inventories on dealers' lots are reportedly well under control, even low in many cases. With new combine inventories in better balance than in recent years, 1987 will probably see less intense discounting, note market observers.

Unit Retail Sales

	August			January-August		
	1986	1985	Pct. Change	1986	1985	Pct. Change
Farm Wheel Tractors:						
2-wheel drive						
Under 40 hp	4,340	4,243	+ 2.3	44,786	41,784	+ 7.2
40-99 hp	2,161	2,367	- 8.7	20,704	26,925	-23.1
100-139 hp	202	333	-39.3	3,605	5,583	-35.4
Over 140 hp	279	641	-56.5	6,610	7,112	- 7.1
Total 2-wheel drive	**6,982**	**7,584**	**- 7.9**	**75,705**	**81,404**	**- 7.0**
4-wheel drive						
Under 200 hp	13	43	-69.8	362	570	-36.5
Over 200 hp	54	133	-59.4	843	1,155	-27.0
Total 4-wheel drive	**67**	**176**	**-61.9**	**1,205**	**1,725**	**-30.1**
Total All Tractors	**7,049**	**7,760**	**- 9.2**	**76,910**	**83,129**	**- 7.5**
S-P Combines	1,656	865	+91.4	4,195	3,815	+10.0
Balers (under 200-lb. bales)	745	734	+ 1.5	4,466	5,745	-22.3
Forage Harvesters (shear-bar type)	210	257	-18.3	1,114	1,326	-16.0
Mower-Conditioners	1,096	988	+10.9	8,236	8,905	- 7.5

Tenneco Bids for Steiger Tractor Shares at $3.50

Tenneco, Inc., owner of Case-IH, launched a tender offer in late September for Steiger Tractor, Inc., Fargo, N.D., maker of four-wheel-drive tractors. The offer is $3.50 for each of Steiger's 4.4 million shares, or $15.4 million.

In June, Steiger began operating under bankruptcy law protection and listed $47.5 million in debts.

The transaction, approved by both companies' boards and by 35 per cent of Steiger stockholders (including Deutz, holder of about 25 per cent), requires approval by the Federal government and Steiger holders, and receipt of tenders for at least two-thirds of Steiger's shares.

Manufacturing and engineering of four-wheel-drive tractors will remain at Fargo, according to a Case-IH spokesman. Steiger operations will be consolidated with those of Case-IH.

Deere's Bartlett Will Retire as of March 31, 1987

Boyd C. Bartlett, president and chief operating officer of Deere & Co., plans to retire Mar. 31, 1987. Bartlett's decision to retire, the company said, "is in keeping with his long-standing plans to pursue personal interests."

Bartlett, 60, joined Deere in 1952. Among the positions he has held: sales manager and later general manager of the Lansing, Mich., branch; director of marketing services; director of sales branches; vice-president, farm equipment and consumer products marketing; and senior vice-president of that division. A member of the board since 1979, he became president in 1985.

Varity (Massey) Nets $15 Million In First Half

Varity (Massey-Ferguson Ltd.) has reported net earnings of $15 million for the first six months and $9.1 million for the second period of fiscal 1986, compared with losses of $5.5 million and $5.9 million in the same segments of 1985. Results for 1985 have been reclassified to reflect the restructuring involved when 55 per cent of the combine business was sold.

Total sales were $709.6 million for the first half and $363.4 million for the second quarter of 1986, compared with $604 million and $335.8 million in 1985. In North America, volume for the first six months rose from 1985's $133 million to $152 million; for the second quarter, it went up from $69.3 million to $82.3 million.

Briefly...

Donald E. Jacoby, marketing vice-president of Northrup King Co., Golden Valley, Minn., and former marketing executive for International Harvester and later J I Case Co., has been elected chairman of the Agriculture Council of America.

Hiniker Co., Mankato, Minn., has acquired the Fox/Brady product lines from Piper Industries, Appleton, Wis. The Fox/Brady brand name will continue, with all sales, production and related activities moving to Mankato. The line includes forage harvesters, stalk shredders, choppers and windrowers, and highway sand and salt spreaders.

I&T has learned of the death in August of Don O. Carl, retired director of sales branches at Deere & Co. Among positions he held in a 30-year career with Deere were manager of the Syracuse, N.Y., branch and director of marketing for consumer products.

National Assn. of Service Managers has launched a national employment referral program to provide a link between employers and service people seeking new positions. Details are available at NASM, 60 Revere Dr., Suite 500, Northbrook, Ill. 60062, telephone 312-480-9575.

Deere 9-month Sales Off 7 Pct. To $2.7 Billion

Deere & Co. had sales of $2.7 billion in the first nine months of fiscal 1986 (ended July 31), a 7 per cent decline from the $2.9 billion of 1985. The company had a nine-month net loss of $107 million, compared with net earnings of $11 million in the first three quarters of 1985.

In the third quarter, the loss was $40 million on sales of $973 million, compared with net income of $4.5 million on sales of $1.02 billion in 1985's third period.

Becherer Named. Deere's board has named Hans W. Becherer executive vice-president responsible for worldwide farm equipment and consumer products operations. It is a newly created position. He had been vice-president, overseas division, farm equipment and consumer products, since 1983.

How is the French dealer making it?

Dear Editor:

You asked me to get together a profile of the French farm equipment dealer. This is it, and I think you'll agree that this profile shows he has a pronounced resemblance to his American cousin. Either that, or business is business and farmers are tough customers wherever you go.

First, you should understand that the French agricultural economy has gone through the same basic difficulties as the American, though not as severely. French farmers' net income in 1985, for instance, was down 7 per cent from 1984.

In 1984, there were 1,750 franchised farm equipment dealers, compared with 2,000 five years earlier, and between them they sold 54,200 tractors. That works out to 30 tractors each, which may sound good to most American tractor dealers. However, 1985 data show that French domestic tractor sales were down to 47,500 units, and by way of comparison with better times, sales in 1976 were 74,560 units.

In 1986's first half, sales of tractors are down by 17 per cent to 17,017 units. Estimates are that the full year's sales may not exceed 40,000 units.

The trend with self-propelled grain combines is similar. Unit sales that were 4,773 in 1981 were down to 3,880 in 1984.

The average French dealer had total sales in 1984 of about $2.6 million. Here's how it divided:

Department	Per Cent
New equipment	58.0
Used equipment	16.0
Parts	16.5
Service	4.8
Miscellaneous and billings to other dealers	4.7

Typically, the French dealer employs 14 to 20 persons, thus:

Department	No. of Persons
Service	8-10
Sales	2-4
Parts	2
Administration	3

It works out to sales volume of about $130,000 per employee, with salesmen producing an average volume of $630,000. Service personnel produce about $15,000.

Total gross margin was 23.2 per cent (compared with 25.5 per cent two years earlier), and net profit before tax was 1.2 per cent (compared with 1.5 per cent two years earlier). The tax is 50 per cent of the profit, so the post-tax net was 0.6 per cent or about $15,000.

Service operations

French dealerships appear to experience considerable loss in their service departments. As noted, service personnel comprise 52 per cent of the personnel and 5 per cent of the sales volume. The shop labor rate—the amount that the dealer can charge the customer for repair services—has been a matter of governmental control and as of the end of August was running at about $14 an hour.

However, as of Sept. 1, controls were removed. Dealers are free to charge as they wish, but it is expected that it won't change much. Competition will hold it at about $15 to $16.

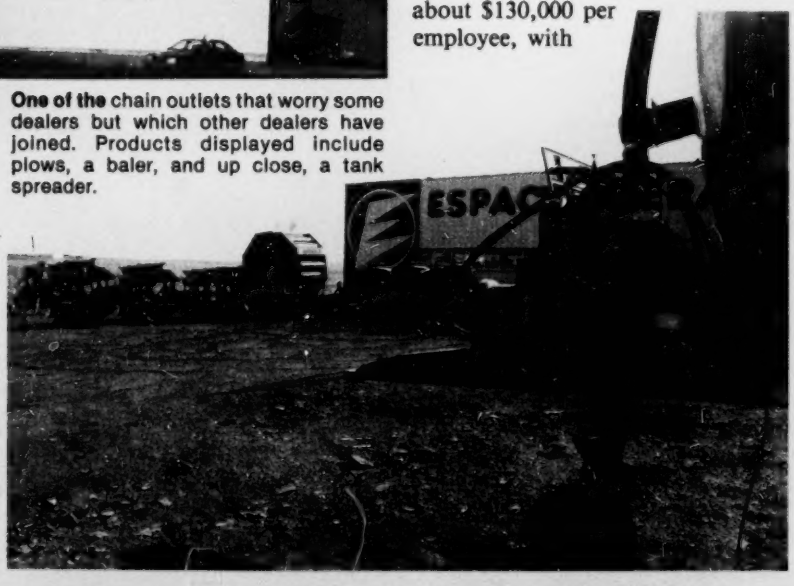
The hours of service labor for which the dealer pays break down this way:

Activity	Pct. of Hours
Service work billed to outside customers	29
New equipment preparation and delivery	12
Warranty work	8
Used equipment reconditioning	18
Internal work (vehicles, etc.)	10
Vacations	13
Non-productive hours	10

Coping with change

Facing the declines of the French farm equipment industry, most dealers have tried to move into other businesses. One of the most common approaches has been to enter a discount chain, such as Sumagri,

One of the chain outlets that worry some dealers but which other dealers have joined. Products displayed include plows, a baler, and up close, a tank spreader.



Mat-Service, or Promodis, or a semi-franchised chain such as Espace-Emeraude, Vivre a la Campagne or Ami Rural.

One of the most successful of these chains is Espace-Emeraude, which includes 35 dealers in its 100 points of sale. The typical store in this chain is a 600-sq.-meter building for the cash-and-carry shop plus about 2,500 sq. meters outside for the display of items such as trailers and plows. The typical outlet does about $640,000 in volume with three employees.

The items that generate the most volume are common wearable parts, tractor accessories, tires, oil, filters, batteries, and even clothes and boots (which can amount to as much as 8 per cent of sales volume).

These stores focus about one-third of their advertising directly to farmers; the other two-thirds is aimed more broadly at country people, *i.e.*, residents of small towns, especially women.

Dealers who invest in a chain outlet like Espace-Emeraude tend to locate it a good distance from the main dealership. They generally aren't anxious to make the connection obvious.

Tractor Market Shares in France

(First Half, 1986 vs. 1985)

Tractor Make	Jan.-June 1985	Jan.-June 1986	Market Shares 1985	Market Shares 1986
Fiat-Agri	2,704	2,654	13.2	15.6
Renault	3,212	2,351	15.7	13.8
Massey-Ferguson*	2,368	2,229	11.6	13.1
J I Case**	3,478	1,852	17.0	10.9
John Deere	2,029	1,756	6.4	10.3
Ford	1,309	1,217	9.9	7.2
SAME	909	875	4.5	5.1
Deutz	785	724	3.8	4.3
Other makes	3,668	3,559	17.9	19.7
Total	**20,462**	**17,017**	**100.0**	**100.0**

*Includes Landini **Includes International Harvester

Notes: Average horsepower sold is down slightly, from 73.2 in the first half of 1985 to 71.7 in the same 1986 period. The percentage of front-wheel-drive tractors sold runs constant at 65. In 1976, this sector was only 16.8 per cent of the market.

Incidentally, farm equipment retailing in France has one feature that you don't have in the United States. There are somewhere around 5,000 agents.

These agents are independents who usually live in the country and are very close to the farmers around them. They make machinery sales on behalf of the dealer and collect a few percentage points of commission for their efforts. They don't normally stock parts or perform repair services.

And that's my capsule profile of the French farm equipment dealer and how he's making it today.

—Jean-Pierre Samson

(Editor's note: The writer is a journalist specializing in farm equipment topics and residing in Neuilly-sur-Seine, France.)

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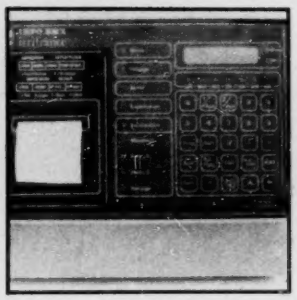

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Write In (58) on Reply Card

French manufacturers export 40 per cent of product

True, this stamp isn't French, but it represents an export achievement of the French farm equipment industry. Mongolia likes its French-built Renault tractors enough to feature them on a stamp.

Dear Editor:

You're right, the French farm machinery industry is a major factor in Western Europe and, in some product categories, the world. In 1985, industry turnover was $1.7 billion.

Several French manufacturers dominate or are major factors in Europe on such products as moldboard plows, hay mowers, hay balers, crop sprayers, sugar beet harvesters, grape harvesters and pneumatic drills.

France, which is the size of Texas in terms of square miles, presents a great variety of climate conditions, soil types, and types of crops and livestock. All this leads to an industry that manufactures a large breadth of equipment types.

To give you an idea of our major areas of activity, here are some 1985 production totals:

Product	Units Produced
Farm tractors	42,000
Plows, all types	21,000
Drills	7,100
Precision drills (row units)	52,000
Fertilizer distributors (liquid and solid)	7,900
Knapsack/portable sprayers	272,600
Engine/PTO-driven sprayers	21,500
Pick-up balers	11,700
Round balers	12,000
Front loaders	12,200
Barn cleaners	2,200
Manure spreaders	6,900
Grape harvesters	1,100

Export activity

French manufacturers have managed to raise their export activity considerably in recent years. In 1985, almost 40 per cent of turnover ($662 million) was derived from exporting. By way of comparison, in 1971, 24 firms were able to derive 30 per cent or more of their sales from exports. By 1985, there were 53 companies above this level.

In 1985, the $662 million in exports divided thus: $346 million for complete tractors and their components; $316 million for agricultural machines.

We do business in 130 nations, the major trading partners being in the European Common Market. But we have been increasing exports to other industrial countries, including the U.S., Canada and Australia.

The table of your French imports (our exports to the U.S.), as provided by the U.S. Commerce Dept., tracks closely to the data we have over here. We show exports to the U.S. at $40 million in 1983, $69 million in 1984 and $63 million in 1985; your respective numbers are $41 million, $72 million and $69 million.

I'm sending along a list of French based companies that are active in the U.S. farm equipment market, and their U.S. distributors or major customers.

—Bernard Decaens, SYGMA

(Editor's note: SYGMA, the trade association for French farm equipment manufacturers, is based at 19 rue Jacques-Bingen, 75017 Paris, telephone 47 66 0220. Bernard Decaens is an export specialist with the organization.)

Value of Major U.S. Farm Equipment Imports From France

(Thousands of dollars)

	1982	1983	1984	1985	First Half, 1986
All Products	**$30,804**	**$41,333**	**$72,605**	**$68,681**	**$42,987**
Tractors, Ag	7,580	18,401	28,824	16,775	4,685
Tractors, Other Incl. Garden, Used	73	204	3,267	3,626	1,369
Tractor Parts	7,340	4,516	12,261	15,835	8,904
Mowers, excl. Lawn Mowers	5,108	5,610	11,658	12,064	10,067
Harvesting Machines	1,421	2,642	3,474	3,281	2,057
Parts for Harvesting Machines	1,014	515	1,078	3,373	5,853
Other Agricultural Machines	938	1,721	3,900	3,924	4,139
Parts for Other Ag Machines	1,784	1,515	3,286	3,254	1,302
Parts for Tillage Equipment	982	1,192	1,524	1,652	826
Haying Machines Excl. Mowers	563	2,915	1,185	817	277

Source: U.S. Dept. of Commerce, International Trade Administration, Office of Capital Goods & International Construction.

French products in America and their distributors or OEM customers

Berthoud S.A.
B.P. 36
69823 Belleville Cedex
Tel. 74 66 01 91

Agricultural sprayers

Berthoud Skibbe
3783 S. Pipestone
Sodus, MI 49126
Tel. 616-925-1871

Agrotec Inc.
Box 49
Pendleton, NC 27862
Tel. 919-585-1222

Bobard Jeune S.A.
B.P. 153
21204 Beaune Cedex
Tel. 80 22 25 50

High-clearance vineyard and nursery tractors

Otto Timm Enterprises
Box 157
Oakville, Ont.
Tel. 416-826-1333

La Buvette S.A.
15 rue de l'Arquebuse
08000 Charleville Mezieres
Tel. 24 32 61 22

Cattle waterers

Applied Sales Engineering
6124 Olson Highway
Minneapolis, MN 55422
Tel. 612-544-3308

Carroy-Giraudon S.A.
Z.I. Route du Foecy
18100 Vierzon
Tel. 51 07 82 35

Flail mowers

Distributors sought.

C.M.M.C. Vaslin
49290 Chalonnes
Tel. 41 78 22 44

Grape and wine processing equipment

Budde & Westermann
Box 177
Montclair, NJ 07042
Tel. 201-744-5363

F.P. Packaging
Box 881
S. San Francisco, CA 94083
Tel. 415-871-5497

Cerimon S.A.
B.P. 11
79320 Moncoutant
Tel. 49 72 61 25

Rotary trenchers

Cerimon Inc.
Box 3395, College Sta.
Fredericksburg, VA 22402
Tel. 703-898-1524

Pioneer Logging Machinery
Box 250
Lexington, SC 29072
Tel. 803-356-0123

Denis S.A.
28160 Brou
Tel. 37 47 05 08

Silo unloaders, rotary extractors for material with poor flow characteristics

Agent or dealers sought.

Ebra S.A.
B.P. 915
49009 Angers
Tel. 41 43 23 00

Reversible plows, other tillage and planting equipment

Distributors or technology transfer arrangements sought.

Electro-Ecremeuse
45 Bd de la Republique
92100 Boulogne-Billancourt
Tel. 46 09 05 41

Cream separators, butter churns, other specialized dairy equipment

The Schlueter Co.
112 E. Centerway
Janesville, WI 53545
Tel. 608-556-1269

Femenia Fabrication S.A.
Z.I. de Tragone
20200 Biguglia
Tel. 95 33 50 81

Grape harvesters, brush-cutting combine

Distributors sought

Forges de Niaux S.A.
Niaux
09400 Tarascon
Tel. 61 05 88 30

(Continued on page F-13)